

Memorandum

To: Panel Members Date: May 23, 2002

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: R. Negrete

Subject: One-Step Agreement for **US Data Source, LLC**
www.usdatasource.com

CONTRACTOR:

- Training Project Profile: Training in High Unemployment Areas of CA
Retraining: companies with out of state competition
Stimulating Exports / Imports
- Legislative Priorities: Stimulating Exports / Imports
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 260
 - In California: 165
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$113,400
- Substantial Contribution: -0-
- Total ETP Funding: \$113,400
- In-Kind Contribution: \$114,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Imperial
- Duration of Agreement: 24 months

SUBCONTRACTORS:

N/A

THIRD PARTY SERVICES:

Applicant staff stated that no third party services were used in the development of the Application.

NARRATIVE:

This project was brought to the attention of the Employment Training Panel through the marketing efforts of the California Technology, Trade and Commerce Agency.

U.S. Data Source, LLC (USDS) was founded in 1965 by Martin Madden, to provide data entry services to aerospace and government entities. It now primarily processes health insurance claims for companies such as Blue Cross of California, Wellpoint Dental, Standard Insurance, and Jefferson Pilot. USDS has moved to a PC-based environment including scanning, key from image, Optical Character Recognition/Intelligent Character Recognition (OCR/ICR) and on-line data entry. In February 2000 USDS opened its Advanced Technology Center at its corporate headquarters in Ontario, California to supply advanced imaging technology processing for clients throughout the United States. USDS opened a second Advanced Technology Center in April 2001 in Calexico, California, site of the proposed training.

Title 22 California Code of Regulations, Section 4416 (a)(3)(4) states, in part, that companies subject to out of state competition. Companies are eligible for Panel funding under the Panel's standard retraining funding criteria, if the company faces out of state competition, if the company provides a service out-of-state and/or provides a service in the state in competition with providers of the same service which are located outside the state. USDS provides document imaging, medical and dental data entry, image and paper claims processing, and image and data warehousing to companies throughout the continental United States. These services are in direct competition with on-shore and off-shore competitors. Further, over 75% of the company's gross revenues are from customers outside California.

Since January 2001, USDS has collaborated with the Imperial Valley Regional Occupational Program (IVROP) for the recruitment, screening and pre-employment training of unemployed individuals for entry-level employment at the Calexico facility. USDS has hired sixty employees from IVROP in the past year. If company business projections are achieved, it expects to increase the number of employees at the Calexico facility from the existing 60 to 250 employees in 2003.

USDA is undergoing continued price pressures with a growing customer shift toward lower priced products and demands for improved product quality and delivery schedules. This is further exacerbated by domestic and off-shore competitors that underbid the company due to lower labor costs. In order to retain market share in a very competitive industry, USDS has

NARRATIVE: (continued)

upgraded its Callexico facility at a cost of \$480,000 to move to paperless claims processing. These upgrades provide the company the competitive advantage of both technology and worldwide resources to offer its clients the highest level of quality and competitive pricing.

The paperless processing system provides USDS with online updated information on orders, delivery schedules and accounting reports. The move paperless claims processing will greatly improve company production processes, as paperless processing is 20% faster than paper processing. In addition, the new system will improve customer response by incorporating new processes and procedures, with the end result being performance improvement of all company operations.

The installation of paperless claims processing system requires the retraining of USDS's current and future workforce. ETP's funds will enable the company to provide Computer Skills training using the new paperless claims processing system to enable company employees to efficiently and effectively process customer insurance claims. The training plan will also include Business Skills training consisting of Communication and Customer Service skills training. In addition, the training plan will include Management Skills training to provide supervisors and leads the leadership and coaching skills needed to supervise subordinates in an paperless environment. USDS expects the training to result in 20% improvement in the quality of customer service and productivity, by reducing the time taken to process health claims.

Company management developed a Menu Curriculum consisting of the above referenced training. One hundred data capture operators, data capture specialists, supervisors and leads will be provided from 50 to 90 hours of Class/Lab training and 50 to 90 hours of Structured, On-Site Training. These employees will acquire the skills to operate in the new image claims processing system that will lead to improved operational efficiencies and improved customer service.

Supplemental Nature of Training

USDS has certified in writing that ETP-funded training is supplemental to training that it provides in the normal course of doing business. The company will continue to provide safety training, basic claims processing training, new hire orientation training, and labor law training to supervisory staff, at a projected amount of \$45,000 per year. The proposed training is in addition to the company's current training, and is designed to address the new skill requirements related to the installation of the new claims image processing system.

In-Kind Contribution

The Contractor's in-kind contribution is \$114,000, consisting of: \$22,475 for company administrative support staff in excess of the ETP administrative reimbursement; \$25,500 for project development costs; \$28,450 for lost production while employees are in training; and, \$37,575 for wages paid to employees during training.

NARRATIVE: (continued)

Training in Areas of High Unemployment/Wage Waiver Request

California Unemployment Insurance Code, Section 10201.5 specifies that ETP funds can be used for training of workers in regions suffering high unemployment, including “working

Areas of high unemployment include counties or cities with unemployment rates significantly higher (25 percent) than the state average monthly unemployment rate based on the most recent Employment Development Department (EDD) labor market information. The unemployment rate in Imperial County was 13.5 percent, in March 2002 which was more than 25 percent higher than the state average unemployment rate of 6.5 percent for that month. This will be the first ETP project approved in Imperial County after the addition of CUIC, Section 10201.

California Unemployment Insurance Code, Section 10201.5 provides the Panel with discretion to waive the ETP minimum wage requirements, if the post reduction wage of each trainee exceeds the trainee’s wage before and during training.

USDS is requesting a waiver of the ETP minimum wage requirement for Imperial County of \$11.15 per hour for Calendar Year 2002. The 100 employees to be trained currently receive hourly wage rates ranging from \$7.32 to \$8.57 per hour, including health benefits (base wages are \$6.75 to \$8.00 per hour). USDS states that it provides health benefits to all employees in the training plan.

The USDS signatory has stipulated that these employees will be provided a minimum 5 percent wage increase when they successfully complete training and the 90 day employment retention requirement. Therefore, at the end of the 90-day retention period, the wages of trainees will be \$7.65 to \$10.31 per hour including health benefits (lowest base wages are \$7.08 to \$8.40).

COMMENTS

This proposal serves as an economic development initiative in Imperial County, as USDS projects employment growth from 60 current employees to 250 employees in 2003 at their Callexico facility.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement, if funds are available and the project meets Panel priorities, contingent upon Panel approval of:

- the Contractor’s request for a waiver of the ETP-required minimum wage in an area of high unemployment.

This project will ensure that US Data Source, LLC provides its employees the skills to use the new paperless claims processing system which will enable the company to achieve productivity, quality, and customer service goals. This training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Job/Trainee Type	Types of Training	No. to be Retained	No. Class/Lab Hrs.	No. SOST Trainer Hours	Cost Per Trainee	Hourly Wage after 90 days
Job 1 Retrainees	Business Skills, Computer Skills	90	50	450	\$1,050	*\$7.65 - *\$8.47
Job 2 Retrainees	Business Skills, Computer Skills, Management Skills	10	90	90	\$1,890	*\$8.97 - *\$10.31
			Range of Hourly Wages: *\$7.65 - \$10.31			
			Prevalent Hourly Wage: *\$7.65			
<u>Health Benefits used to meet ETP minimum wage:</u> *Health Benefits totaling \$.57 per hour may be added to the hourly wage of \$7.08 per hour for Job 1 trainees and \$8.40 per hour for Job 2 in Imperial County.			Average Cost Per Trainee: \$1,134			
			Turnover Rate: 18%		% of Managers and Supervisors to be trained: 10%	

US DATA SOURCE, LLC
MENU CURRICULUM

Hours
Class/Lab SOST
Trainer

50 - 90 90 - 450 Trainees will be provided any of the following:

A. BUSINESS SKILLS

Customer Service Skills
Communication Skills

Trainer Activity Plan

Observe trainees in using effective customer service techniques during customer interactions
Coach trainees to improve their communication skills
Assist trainees as they implement a customer service improvement technique
Observe trainees use effective interpersonal communication tools

Competency: Trainees will be able to use effective customer service and communication skills to improve their work processes.

B. COMPUTER SKILLS

New image claims processing system software
Electronic file control and management

Trainer Activity Plan

Assist trainees in using image claims processing software to perform assigned job tasks
Make assignments using image claims processing software to trainees
Review trainees work products to ensure that they meet company quality standards
Observe trainees as they create and manage on-line files and other reports
Coach trainees on the effective use of the company image claims processing system to meet productivity and quality goals

Competency: Trainees will be able to use image claims processing software to perform their job assignments more efficiently and to meet company productivity and quality goals.

US DATA SOURCE, LLC
MENU CURRICULUM

C. MANAGEMENT SKILLS

Leadership styles and skills
Decision making skills
Conflict Resolution Strategies
Time and project management
Facilitating and managing change
Goal setting and performance improvement techniques

Trainer Activity Plan

Observe trainees as they incorporate conflict resolution skills
Coach trainees as they develop a leadership action plan
Demonstrate and discuss effective leadership techniques
Provide trainees feedback as they use conflict resolution strategies
Observe trainees as they use new leadership skills with subordinates
Assist trainees as they prepare a goal status report

Competency: Trainees will be able to manage day-to-day operations and lead subordinates more efficiently in an automated company environment.
